Discussion Paper

For Administrative Items

Related to the Equalized Assessment Process

ASSESSORS SYMPOSIUM

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SEPTEMBER 11, 2002

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Introduction

Alberta has a legal and financial history of participation in the funding of cost-shared programs, most notably education. The authority and process for requisitions exist in Parts 9 and 10 of the Municipal Government Act (MGA) and the supporting regulations, *Matters Relating to Assessment and Taxation Regulation (AR 289/99)* and the *Equalized Assessment Variance Regulation (AR 222/01).*

An "equalized assessment" is a value that represents a municipality's taxable assessment adjusted to a common level and is used to calculate requisitions for cost-shared programs. The "equalized assessment" for a municipality depends on the quality of its property assessments. Quality property assessments are, in turn, dependant on clear technical instruction and understanding for their preparation.

Improvements to the equalized assessment process, as recommended and envisioned by the Minister's Equalized Assessment Panel (EAP), would use the most current information about the assessment, implement new business tools and improve operational assessment practices. The passage of the *Municipal Government Amendment Act, 2002,* provides the transition for the elimination of the two-year time lag that exists between the assessment information used to calculate the equalized assessment and its use in determining requisitions.

The proposed amendments also complement the development by Municipal Affairs of the Assessment Shared Services Environment (ASSET). ASSET is an internet-based, shared services computer environment that will allow the systems, tools, processes, data and people that deal with property and assessment to work in a coordinated and integrated fashion.

Implementation of the EAP recommendations also requires expansion of assessment instructions for the production of timely, uniform, and market relevant property assessments. The changes proposed for the *Matters Relating to Assessment and Taxation Regulation (AR 289/99)* improve the operational access to, and use of these instructions. This document proposes that the detailed instructions concerning assessment quality standards and reporting and audit procedures be placed into Minister's Guidelines.

The format of Minister's Guidelines acknowledges that municipalities have changing assessment needs and this format provides the necessary flexibility in terms of content and timely response to them.

This consultation document includes an explanation of the changes proposed for the regulation, a questionnaire soliciting stakeholder response and an Appendix I that contains the existing *Matters Relating to Assessment and Taxation Regulation (AR 289/99).*

Proposed Regulation Changes

The following proposals provide improvements to assessment practice by providing that reporting instructions and procedures be located in Minister's Guidelines. The proposals support the EAP recommendations, and the implementation of the ASSET system.

The proposed placement of these items in Minister's Guidelines will enable an efficient and timely response to the assessment requirements of municipalities.

1 Amend section 1 by adding definitions from existing Schedule

It is proposed that definitions that are currently contained in the Schedule following section 24 of this regulation should be included with the definitions at the beginning of the regulation.

It is proposed that the following terms be added to section 1 of the regulation:

"assessment level" means for the property assessment class, the overall ratio of assessments to indicators of market value;

"assessment ratio" means the ratio of the assessment to an indicator of market value for a property;

"coefficient of dispersion" means the average percentage deviation of the assessment ratios from the median assessment ratio for a group of properties;

"market area" means a group of properties that for the purposes of an audit has the meaning given to it in the Alberta Assessment Quality Minister's Guidelines.

"median assessment ratio" means the middle assessment ratio when the assessment ratios for a group of properties are arranged in order of magnitude;

"overall ratio" means the weighted ratio for a group of properties, calculated using the median assessment ratios for subgroups of properties within that group;

2 Amend section 11 to include quality standards

Section 11 references the quality standards that must be adhered to in the preparation of property assessments. It also identifies the property types that do not require application of these quality standards.

It is proposed that section 11 be amended by adding the quality standards and referencing the detailed instructions for preparing assessments located in Minister's Guidelines with wording similar to the following:

11(1) "When an assessor is preparing assessments for property other than

(a) land, based on agricultural use value,

(b) railway,

(c) linear property, and

(d) machinery and equipment

assessments must be prepared having regard to the requirements of this regulation and the procedures included in the Alberta Assessment Quality Minister's Guidelines established and maintained by Alberta Municipal Affairs as amended from time to time."

(2) The following quality standards must be met in the preparation of assessments of property.

(a) For any market area, the median assessment ratio and the corresponding coefficient of dispersion must be as follows:

PROPERTY TYPE	*MEDIAN ASSESSMENT RATIO*	*COEFFICIENT OF DISPERSION*
Improved Residential (single family dwellings of less than four units)	*.950 - 1.050*	*0 - 15.0*
All other property	*.950 - 1.050*	*0 - 20.0*

(b) The assessment level for the property assessment class must be as follows:

Property Assessment Class ***Assessment Level***

Residential	***1.000***
Non-residential	***1.000***

It is proposed that section 2(b) come into force on January 1, 2007.

This proposal improves the transparency, confidence, accuracy and integrity of the assessment information and addresses the EAP recommendations.

3(a) Amend section 13 to clarify assessment procedure

Section 13 contains instructions for assessors regarding their duty to record information.

It is proposed that section 13 be amended with wording similar to the following:

> ***"In addition to obtaining the information that is required for the purpose of preparing an assessment under section 303, and a return under Part 9, Division 5 of the Act, the assessor must follow the procedures set out in the Alberta Assessment Quality Minister's Guidelines established and maintained by Alberta Municipal Affairs, as amended from time to time."***

This proposal improves the transparency, confidence, accuracy and integrity of the assessment information and addresses the EAP recommendations.

3(b) Amend section 13 to refer to Minister's Guidelines

Sub-sections 13(1) and (2) contain specific instruction about recording of information necessary to prepare assessments.

> **A proposal also exists to move the contents of subsections 13(1)(a), 13(1)(b), 13(1)(c), 13(2)(a), 13(2)(b), and 13(2)(c) to the *"Alberta Assessment Quality Minister's Guidelines"***

This proposal improves the transparency, confidence, accuracy and integrity of the assessment information and addresses the EAP recommendations.

4(a) Repeal section 14 and replace with a provision for audit functions

Section 14 contains instructions for municipalities regarding their duty to report information about the municipality and similar properties in the municipality to the Minister.

It is proposed that section 14 is repealed and replaced with a provision for the application of an annual audit with wording similar to the following:

> ***"An annual audit is required for assessments prepared under Part 9 of the Act by the time and in the form and manner described in the Alberta Assessment Quality Minister's Guidelines established and maintained by Alberta Municipal Affairs as amended from time to time."***

One of the principal recommendations of the EAP was that subject to the freedom of information and privacy legislation, assessment information in the possession of either provincial or municipal assessment officials should be made available in a manner sufficient to satisfy the need to verify assessment quality and equalization accuracy. The implementation of the annual audit function in conjunction with the use of ASSET responds to this recommendation.

4(b) Add a provision to section 14 for assessment roll to contain assessments that have complied with the assessment audit

This proposal would ensure that the assessments that comply with the annual audit, must be the same information shown on the assessment roll.

It is proposed that section 14 be amended by adding wording similar to the following:

> ***"The assessment roll for a municipality must show the same information that has complied with the requirements of the annual audit, as set out in the Alberta Assessment Quality Minister's Guidelines established and maintained by the Alberta Municipal Affairs as amended from time to time."***

This proposal improves the transparency, confidence, accuracy and integrity of the assessment information and addresses the EAP recommendations.

4(c) Add a provision to section 14 for detailed audit

It is proposed that section 14 be amended by adding a provision for information about a detailed audit similar to the following:

> ***"A detailed audit may be performed at any time for assessments prepared under Part 9 of the Act in the form and manner described in the Alberta Assessment Quality Minister's Guidelines established and maintained by the Alberta Municipal Affairs as amended from time to time."***

This proposal is in response to the EAP recommendation that assessment quality and equalization accuracy be improved through implementation of frequent and cyclical detailed audits.

5 Delete section 16

Section 16 provides definitions for use in the preparation of property assessments.

It is proposed that section 16 be deleted as the definitions are proposed for relocation to section 1 (Proposal 1) and the procedural instructions for the preparation of the equalized assessment will be located in the "Alberta Assessment Quality Minister's Guidelines".

This proposal improves the transparency, confidence, accuracy and integrity of the assessment information and addresses the EAP recommendations.

6(a) Amend section 17 by moving current content to Minister's Guidelines

Section 17 provides the authority for the Minister to determine the acceptability of the information provided by the municipality for the preparation of an equalized assessment.

Section 17 is about information provided by the municipality that is issued to prepare the equalized assessment under Part 9, Division 5 of the Municipal Government Act. The sub-sections provide instruction to the Minister regarding the function of this information in determining the equalized assessment for the municipality.

It is proposed that the current contents of 17 be moved to the "Alberta Assessment Quality Minister's Guidelines".

This proposal improves the transparency, confidence, accuracy and integrity of the assessment information and addresses the EAP recommendations.

6(b) Replace section 17 with new instructional content

A proposal exists to add the requirement by the assessor for an annual declaration of the assessments prepared under Part 9 of the Act.

It is proposed that section 17 be replaced with wording similar to the following:

> ***"The assessor must declare annually that the requirements for assessments have been met in the form and manner identified in the Alberta Assessment Quality Minister's Guidelines established and maintained by Alberta Municipal Affairs as amended from time to time."***

Declaration that the requirements for assessments have been met gives stakeholders confidence that procedures in the Minister's Guidelines have been consistently applied.

7(a) Amend section 18 by moving contents to Minister's Guidelines

Section 18 concerns the preparation of equalized assessments for regulated and other property.

It is proposed that the current contents of section 18 be moved to the "Alberta Assessment Quality Minister's Guidelines".

This proposal improves the transparency, confidence, accuracy and integrity of the assessment information and addresses the EAP recommendations.

7(b) Replace section 18 with new instructional content

It is also proposed that section 18 be replaced with wording similar to the following:

> ***"In preparing the equalized assessments for a municipality, the Minister must follow the procedures set out in the Alberta Assessment Quality Minister's Guidelines established and maintained by Alberta Municipal Affairs as amended from time to time."***

> ***"In preparing the equalized assessment the procedures set out in the Alberta Assessment Quality Minister's Guidelines established and maintained by Alberta Municipal Affairs as amended from time to time must be followed."***

This proposal improves the transparency, confidence, accuracy and integrity of the assessment information and addresses the EAP recommendations.

8 Delete section 19

Section 19 is no longer required given the existence of the Equalized Assessment Variance Regulation (AR 222/01) that allows the Minister to vary the equalized assessment used to calculate annual local education property tax requisitions.

It is proposed that section 19 be deleted from the regulation.

9 Amend section 20 by moving contents to Minister's Guidelines

Section 20 provides instructions for the preparation of the equalized assessment for the City of Lloydminster.

It is proposed that this section be deleted, and these instructions be moved to the "Alberta Assessment Quality Minister's Guidelines".

This proposal improves the transparency, confidence, accuracy and integrity of the assessment information and addresses the EAP recommendations.

Comments or concerns

Appendix I
Current Matters Relating to Assessment and Taxation Regulation 289/99

(no amdt)

ALBERTA REGULATION 289/99

Municipal Government Act

MATTERS RELATING TO ASSESSMENT AND TAXATION REGULATION

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Definitions

1 In this Regulation,

(a) "Act" means the *Municipal Government Act*;

(b) "agricultural use value" means the value of a parcel of land based exclusively on its use for farming operations;

(c) "farm building" means any improvement other than a residence, to the extent it is used for farming operations;

(d) "farming operations" means the raising, production and sale of agricultural products and includes

(i) horticulture, aviculture, apiculture and aquaculture,

(ii) the production of livestock as defined in the *Livestock and Livestock Products Act*, and

(iii) the planting, growing and sale of sod.

PART 1

STANDARDS OF ASSESSMENT

Definitions

2 In this Part,

(a) "assessment year" means the year in which assessments are prepared for property in a municipality to be used for taxation in the following year;

(b) "machinery and equipment" means materials, devices, fittings, installations, appliances, apparatus and tanks other than tanks used exclusively for storage, including supporting foundations and footings and any other thing prescribed by the Minister that forms an integral part of an operational unit intended for or used in

(i) manufacturing,

(ii) processing,

(iii) the production or transmission by pipeline of natural resources or products or byproducts of that production, but not including pipeline that fits within the definition of linear property in section 284(1)(k)(iii) of the Act,

(iv) the excavation or transportation of coal or oil sands, as defined in the *Oil Sands Conservation Act*,

(v) a telecommunications system, or

(vi) an electric power system,

whether or not the materials, devices, fittings, installations, appliances, apparatus, tanks, foundations, footings or other things are affixed to land in such a manner that they would be transferred without special mention by a transfer or sale of the land;

(c) "mass appraisal" means the process of preparing assessments for a group of properties using standard methods and common data and allowing for statistical testing.

Valuation standard for

3(1) The valuation standard for a parcel of land is

standard for a parcel of land

(a) market value, or

(b) if the parcel is used for farming operations, agricultural use value.

(2) In preparing an assessment for a parcel of land based on agricultural use value, the assessor must follow the procedures set out in the Alberta Farm Land Assessment Minister's Guidelines established and maintained by the Department of Municipal Affairs, as amended from time to time.

(3) Despite subsection (1)(b), the valuation standard for the following property is market value:

(a) a parcel of land containing less than one acre;

(b) a parcel of land containing at least one acre but not more than 3 acres that is used but not necessarily occupied for residential purposes or can be serviced by using water and sewer distribution lines located in land that is adjacent to the parcel;

(c) an area of 3 acres located within a larger parcel of land where any part of the larger parcel is used but not necessarily occupied for residential purposes;

(d) an area of 3 acres that

(i) is located within a parcel of land, and

(ii) can be serviced by using water and sewer distribution lines located in land that is adjacent to the parcel;

(e) any area that

(i) is located within a parcel of land,

(ii) is used for commercial or industrial purposes, and

(iii) cannot be serviced by using water and sewer distribution lines located in land that is adjacent to the parcel;

(f) an area of 3 acres or more that

(i) is located within a parcel of land,

(ii) is used for commercial or industrial purposes, and

(iii) can be serviced by using water and sewer distribution lines located in land that is adjacent to the parcel.

(4) An area referred to in subsection (3)(c), (d), (e) or (f) must be assessed as if it is a parcel of land.

(5) The valuation standard for strata space, as defined in section 87 of the *Land Titles Act*, is market value.

Valuation standard for improvements

4(1) The valuation standard for improvements is

(a) the valuation standard set out in section 5, 6 or 7, for the improvements referred to in those sections, or

(b) for other improvements, market value.

(2) In preparing an assessment for a farm building, the assessor must determine its value based on its use for farming operations.

Valuation standard for railway

5(1) The valuation standard for railway is that calculated in accordance with the procedures referred to in subsection (2).

(2) In preparing an assessment for railway, the assessor must follow the procedures set out in the Alberta Railway Assessment Minister's Guidelines established and maintained by the Department of Municipal Affairs, as amended from time to time.

Valuation standard for linear property

6(1) The valuation standard for linear property is that calculated in accordance with the procedures referred to in subsection (2).

(2) In preparing an assessment for linear property, the assessor must follow the procedures set out in the Alberta Linear Property Assessment Minister's Guidelines established and maintained by the Department of Municipal Affairs, as amended from time to time.

Valuation standard for machinery and equipment

7(1) The valuation standard for machinery and equipment is that calculated in accordance with the procedures referred to in subsection (2).

(2) In preparing an assessment for machinery and equipment, the assessor must follow the procedures set out in the Alberta Machinery and Equipment Assessment Minister's Guidelines established and maintained by the Department of Municipal Affairs, as amended from time to time.

Valuation standard for a parcel and improvements

8 When an assessor is preparing an assessment for a parcel of land and the improvements to it, the valuation standard for the land and improvements is market value

(a) unless the land is a parcel used for farming operations, in which case the valuation standard in section 3(1)(b) applies to the land, and

(b) unless the improvement is railway, linear property or machinery and equipment, in which case the valuation standard in section 5, 6 or 7, as the case may be, applies to the improvement.

Actions under the Municipal Government Act

9 When a property is used for farming operations or residential purposes and an action is taken under Part 17 of the Act that has the effect of permitting or prescribing for that property some other use, the assessor must determine its value

(a) in accordance with its residential use, for that part of the property that is occupied by the owner or the purchaser, or the spouse or dependant of the owner or purchaser, and is used exclusively for residential purposes, or

(b) based on agricultural use value, if the property is used for farming operations, unless section 3(3) applies.

Assessment based on July 1 value of property

10 Any assessment prepared in accordance with the Act must be an estimate of the value of a property on July 1 of the assessment year.

Quality standards

11 Assessments for property other than

(a) land, based on agricultural use value,

(b) railway,

(c) linear property, and

(d) machinery and equipment

must be prepared having regard to the quality standards required by the Schedule.

Mass appraisal

12 An assessment of property based on market value

(a) must be prepared using mass appraisal,

(b) must be an estimate of the value of the fee simple estate in the property, and

(c) must reflect typical market conditions for properties similar to that property.

Duty to record information

13(1) In addition to the information that must be obtained for the purpose of preparing an assessment roll under section 303 of the Act, the assessor must obtain the following information and maintain it in a record:

(a) for each parcel of land where the assessment is based on a valuation standard other than agricultural use value, the legal description, parcel size, land use bylaw code and actual use;

(b) for each improvement, the quality rating, classification, size, effective year built and condition;

(c) for each property that is sold, the sale price, adjustments and date of sale, and where a parcel of land is sold, the certificate of title.

(2) No record is required to be kept under subsection (1) for the following property:

(a) railway;

(b) linear property;

(c) machinery and equipment.

Duty to provide information to Minister

14 A municipality must provide to the Minister, in the manner required by the Minister, information and statistics about

(a) the municipality, and

(b) similar properties in the municipality.

Assessable property

15(1) For the purposes of section 298(1)(y) of the Act, an assessment must be prepared for any farm building located in a city, town, village or summer village.

(2) For the purposes of section 298(1)(z) of the Act an assessment must be prepared

(a) for machinery and equipment that is part of linear property as

described in section 284(1)(k) of the Act, and the assessment must reflect 100% of its value, and

(b) for machinery and equipment that is not part of linear property as described in section 284(1)(k) of the Act, and the assessment must reflect 77% of its value.

PART 2

ASSESSMENT EQUALIZATION

Definitions

16 In this Part,

(a) "assessment level" has the meaning given to it in the Schedule;

(b) "assessment ratio" has the meaning given to it in the Schedule;

(c) "overall ratio" means the weighted ratio for a group of properties, calculated using the median assessment ratios for subgroups of properties within that group.

Information provided by municipality under section 319(1) of the Act

17(1) On receiving information from a municipality pursuant to section 319(1) of the Act, the Minister must assess the information and determine if the information is acceptable.

(2) If the Minister determines that the information is acceptable, the Minister may use and rely on the information when preparing the equalized assessment for the municipality.

(3) If the Minister determines that the information is not acceptable, the Minister must prepare the equalized assessment using whatever information is available about the municipality.

(4) The information provided pursuant to section 319(1) of the Act must include assessment levels.

Preparation of equalized assessment

18(1) In this section, "regulated property" means property in respect of which an assessment is prepared using the valuation standard referred to in section 3(1)(b), 5, 6 or 7.

(2) In preparing the equalized assessment for a municipality,

(a) the assessments for regulated property, reported in accordance with section 319(1) of the Act or derived from information in accordance with section 319(2) of the Act or section 17(3) of this Regulation, must be adjusted to reflect a common year by applying factors that the Minister considers appropriate, and

(b) the assessments for property other than regulated property, reported in accordance with section 319(1) of the Act or derived from information in accordance with section 319(2) of the Act or section 17(3) of this Regulation, must be adjusted in the manner the Minister considers appropriate

(i) to reflect a common year, and

(ii) to reflect an assessment level of 1.00.

Limit on increases in

19 Pursuant to section 325 of the Act, the Minister may by order limit the

increases in equalized assessments

amount by which equalized assessments for any class of property listed in section 297 of the Act may increase from one year to the next.

City of Lloydminster

20 The equalized assessment for the portion of the City of Lloydminster that is in Alberta must reflect assessments as if they were prepared in accordance with the Act.

PART 3

PROPERTY TAX EXEMPTION

Definitions

21 In this Part,

(a) "farm unit" means any number of parcels of land or parts of parcels, or both, that are

(i) owned by a farm unit operator,

(ii) held by that farm unit operator under a lease, licence or permit from the Crown or a municipality, or

(iii) occupied by that farm unit operator with the consent of a person holding the parcel, or part of a parcel under a lease, licence or permit from the Crown or a municipality

on December 31 of the year preceding the year in which the exemption in section 22 applies;

(b) "farm unit operator" means

(i) the person who is registered under the Land Titles Act as the owner of the fee simple estate in a farm unit, or the spouse of that person,

(ii) a person who holds a farm unit under a lease, licence or permit from the Crown or a municipality, or a person who occupies the farm unit with the consent of that holder, and

(iii) a person who is purchasing a farm unit from the person referred to in subclause (i).

Exemptions from property tax

22 The following are exempt from taxation under Division 2 of Part 10 of the Act:

(a) one residence in a farm unit, if the residence is

(i) situated in a county, municipal district, improvement district or special area, and

(ii) situated on a parcel of not less than one acre,

to the extent of the assessment, based on agricultural use value, for the land in the farm unit, to a maximum of $61 540;

(b) each additional residence in the farm unit, if the residence is

(i) situated in a county, municipal district, improvement district or special area,

(ii) situated on a parcel of not less than one acre, and

(iii)used chiefly in connection with farming operations,

to the extent of the assessment, based on agricultural use value, for the land in the farm unit that remains after the exemption is made under clause (a), to a maximum of $30 770 for each additional residence;

(c) any farm building in a city, town, village or summer village, to the extent of 50% of its assessment.

PART 4

REPEALS AND EXPIRY

Repeals

23 The following regulations are repealed:

(a) *Standards of Assessment Regulation* (AR 365/94);

(b) *Assessment Equalization Regulation* (AR 366/94);

(c) *Assessable Property Regulation* (AR 367/94);

(d) *Property Tax Exemption Regulation* (AR 368/94).

Expiry

24 For the purpose of ensuring that this Regulation is reviewed for ongoing relevancy and necessity, with the option that it may be repassed in its present or an amended form following a review, this Regulation expires on November 30, 2004.

SCHEDULE

QUALITY STANDARDS

1 In this Schedule,

(a) "assessment level" for a specified group of properties means the overall ratio of assessments to indicators of market value;

(b) "assessment ratio" means the ratio of the assessment to an indicator of market value for a property;

(c) "coefficient of dispersion" means the average percentage deviation of the assessment ratios from the median assessment ratio;

(d) "median assessment ratio" means the middle assessment ratio when the assessment ratios for a group of properties are arranged in order of magnitude;

(e) "property" means property other than

(i) land, where the assessment is based on agricultural use value,

(ii) railway,

(iii)linear property, and

(iv) machinery and equipment.

2 The following quality standards must be met in the preparation of assessments of property:

PROPERTY TYPE	MEDIAN ASSESSMENT RATIO	COEFFICIENT OF DISPERSION
Residential	.90 - 1.10	0 - 15.0
Income properties		
Cities	.90 - 1.10	0 - 20.0
Other municipalities	.90 - 1.10	0 - 20.0
Vacant property	.90 - 1.10	0 - 20.0

3 The median assessment ratio of any group must be within 5% of the assessment level.

Appendix II
Equalized Assessment Panel Recommendations

Report Of The Equalized Assessment Panel

The Minister of Municipal Affairs established the Equalized Assessment Panel (EAP) in 1999 to examine, evaluate and make recommendations on Alberta's equalized assessment process.

The panel engaged in consultation with key stakeholder groups to conduct a comprehensive review of Alberta's equalized assessment process. Stakeholders who provided input to the panel included representatives of municipal associations, individual municipalities, the assessment community, and recognized assessment experts.

The EAP produced a report that details the results of their analysis and consultation, along with a series of recommendations that are aimed at improving the overall assessment practice and accuracy of data used to determine requisitions for cost-shared programs. This report was circulated to stakeholders and municipalities in August of 2001.

The recent passage of the Municipal Government Amendment Act, 2002 sets the framework for some of these recommendations by amending those parts of the Municipal Government Act (MGA) that govern Alberta's property assessment system. These changes will have varying impact on all assessment stakeholders. Other recommendations will require the Assessment Audit Unit of Municipal Affairs to consider changes in the manner in which it carries out its day-to-day business

The following is a summary of the recommendations of the EAP panel report.

Recommendation 1

Subject to the freedom of Information and Protection of Privacy Act the EAP recommended that all assessment information used to calculate municipal assessments and provincial assessments be made available to all municipal and provincial assessment officials. Disclosure of this information would satisfy the need to verify assessment quality and equalization accuracy.

Municipal Affairs is working in consultation with stakeholders to develop an electronic data-sharing system in response to this recommendation. The new *Assessment Shared Services Environment* (ASSET) system is an internet-based, shared services computer environment that will allow the systems, tools, processes, data and people that deal with *property* and *assessment* to work in a coordinated and integrated fashion.

Recommendations 2A (i) and 2A (ii)

The EAP has recommended that:

- the quality standard for median assessment ratios be set at 1.0; and
- a range of 0.95 to 1.05 be allowed for overall median assessment ratios.

Implementation of this recommendation will improve the quality of assessments that are used in the equalization process.

Recommendation 2B

The EAP recommended that Municipal Affairs create a guide for municipal assessors that includes the standards for ratio studies set by the International Association of Assessing Officers. The purpose of this guide would be to provide additional information to Alberta municipalities and assessing officers on:

- quality control procedures to use in calculating property assessments in municipalities;
- legislative requirements and generally accepted practices for the preparation of annual municipal assessment rolls; and
- the purpose and scope of annual and procedural assessment audits, as well as the standards used to evaluate assessment performance in municipalities, under the assessment audit program.

The Assessment Services Branch is developing the *Alberta Assessment Quality Minister's Guidelines* that will incorporate assessment audit information and reporting instruction. These guidelines are written with intended advice for Alberta's municipal assessors and provincial assessment auditors who work regularly with the assessment audit program.

Recommendation 2C

The EAP recommended that Municipal Affairs develop and distribute the following guides to explain the equalization process:

- a guide that provides a general explanation of the equalization process for municipal councillors and other municipal officials who are not assessment professionals; and
- a manual that provides a detailed explanation of the equalization process and implementation details on the audit process for use by assessors and staff of Municipal Affairs.

Recommendation 3

The EAP recommended that Municipal Affairs conduct annual reviews of the regulated rates that are used to calculate assessments for farmland, linear property, and machinery and equipment; and if necessary, adjust the rates so that they are up to date.

Municipal Affairs is working on a number of initiatives related to this recommendation.

Recommendations 4A (i), 4A (ii) and 4B

In recommendation **4A(i),** the EAP recommended that:

the equalization and education requisitioning processes be changed in phases, with a **long-term goal** of using the live (current) assessment rolls of municipalities in determining the annual education requisitions for Alberta municipalities; and

during the phase-in of the new business process, adjustments can be made to the education requisition for a municipality in the following year if the municipality's current assessment is adjusted as a result of appeals or the audit process.

In recommendation **4A(ii),** the EAP recommended that:

- a **long-term goal** be set to base the amount of the education requisition of each municipality on the current-year, or live, assessment roll that has been previewed, audited and adjusted where necessary, to provincial standards prior to the issuance of assessment notices to the public.

The panel notes that one objective in phasing in this recommendation would be to implement the process to create a minimal need for subsequent year adjustments in education requisitions to reflect changes in a municipality's assessment base. The exceptions would be those resulting from ratepayer appeals, corrections to the assessment roll, or tax status changes. The panel states that this could be achieved by altering current processes and timelines to enable provincial assessment auditors to preview and audit the annual live assessment rolls of municipalities.

In recommendation **4B**, the EAP recommended that municipalities be required to include information in their assessment roll that will allow Municipal Affairs to identify and distinguish between the assessment base changes resulting from real growth (new construction), and assessment changes resulting from market value fluctuations (inflation) in the municipality.

This recommendation arises from concerns that municipal officials have expressed about inequities that occur when the "real-growth" factor is not taken into account in the education requisitioning process.

Recommendation 5

The EAP recommended that the province develop a central computerized data-sharing system to house:

the assessment database and supporting information used by municipalities to calculate their assessments;

the assessments prepared for regulated property; and

all sales data on real property in Alberta.

The EAP panel recommended that all municipal and provincial stakeholders should have access to the system (recommendation 1); allowing them to review the audit, equalization, and quality control processes that are carried out by Municipal Affairs.

In July 2000, Cabinet approved Municipal Affairs' request for funding to develop and implement ASSET. Municipal Affairs is working in consultation with stakeholders to develop this electronic data-sharing system in stages.

Recommendations 6A(i) and 6A(ii)

In recommendation **6A(i),** the EAP has recommended that a complex stratification methodology be used in the provincial audit program and in determining median Assessment Sales Ratios (ASR's) for equalization purposes.

Complex stratification is the practice of grouping properties first by their classification, and secondly by their use, when conducting a ratio study analysis. Local assessors group properties in their municipality based on the property's classification (for example, residential, vacant residential, and non-residential). These groups are then divided into subgroups that reflect a property's use (for example, warehouse, retail, hotel, etc.), or in the case of residential property, by geographic market area.

Municipal Affairs follows this recommendation. It will be addressed in the *Alberta Assessment Quality Minister's Guidelines* that are being developed by the Assessment Services Branch.

The EAP also recommended in **6 A (ii)** that Municipal Affairs promote and enable the following practices to increase the data available to municipal assessors when preparing an assessment roll:

- the use of sales data from comparable market areas in other municipalities;
- expanding the time frame for which sales data can be used; and
- the use of independent appraisals to increase the number of other market value indicators available, if necessary, when preparing the assessment roll.

Municipal Affairs is acting on this recommendation, by including these recommendations in the Alberta Assessment Quality Minister's Guidelines.

Recommendations 6B(i)and 6B(ii)

In recommendation **6B(i)**, the EAP recommended that Municipal Affairs conduct a procedure audit of the cities of Edmonton and Calgary in 2001 or 2002, and that the frequency of procedure audits be increased to ensure every municipality is audited on a five-year cycle.

In **6B (ii),** the EAP recommended that Municipal Affairs review the resources in its Assessment Audit Unit to determine if they are sufficient to meet the of the unit's responsibilities.

Municipal Affairs committed to completing procedural audits on the cities of Edmonton and Calgary for 2002. The department has developed a schedule for performing a detailed audit in all municipalities on a five-year cycle.

Recommendations 6C(i), (ii), and (iii)

The EAP recommended that:

> **6C(i)** Municipal Affairs review the advisor role its auditors fulfill with local assessing authorities to determine if it is appropriate, or if it should be assigned to another unit of the Assessment Services Branch.
>
> **6C(ii)** No provincial auditor should perform the roles of both advisor and auditor for one municipality. The panel states that if auditors from the Assessment Audit Unit continue to serve in an advisory capacity to local assessing authorities, the advisor/auditor roles should be separated.
>
> **6C(iii)** Municipal Affairs review its resources to ensure there are sufficient staff members available to perform both the advisory and auditing functions for municipalities without one auditor performing both roles in one municipality.

In conjunction with these recommendations, Municipal Affairs is reviewing the work plans and responsibilities of the Assessment Services Branch to enable an effective advisory service that does not compromise the audit function.

Recommendation 6D—ASB Annual Reports

In recommendation **6D** the EAP proposed that the Assessment Services Branch produce an annual report that includes results from its review of the assessment ratio studies for all municipalities, and any equalization adjustments that were made as a result of auditing the assessment rolls of those municipalities.

The panel states that this report should provide sufficient detail on market trends and related matters to allow municipal officials and other readers to understand why assessed values or equalized assessments have changed.

The panel suggests that specifications for the annual report could be developed in consultation with the Technical Committee that is proposed by the panel in recommendation 7.

Municipal Affairs produced its 2001 annual report with a view to this recommendation by the panel. The Technical Committee proposed by the panel in recommendation 7 will review the report and recommend additional changes if they are required.

Recommendation 7

The EAP recommended that a technical committee comprised of ten members be formed to advise the Minister on the technical aspects of implementing recommendations in its report.

Municipal Affairs implemented this recommendation through the appointment of a 10-member Technical Committee with representation from the two major cities, Alberta Association of Municipal Districts and Counties, Alberta Urban Municipalities Association, Alberta Assessors' Association and Municipal Affairs.